



DEPARTMENT OF VETERANS AFFAIRS
OFFICE OF INSPECTOR GENERAL

Office of Audits and Evaluations

OFFICE OF ACQUISITION, LOGISTICS, AND
CONSTRUCTION

Summary of Preaward
Reviews of VA Federal
Supply Schedule
Nonpharmaceutical
Proposals, Fiscal Years
2018–2020

REVIEW

REPORT #20-03814-64

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Executive Summary

The VA Office of Inspector General (OIG) reviews nonpharmaceutical proposals submitted to the VA National Acquisition Center (NAC) for VA’s Federal Supply Schedule (FSS) contracts. Specifically, the OIG reviews contracts valued annually at \$10 million or more for high-tech medical equipment, \$3 million or more for all other FSS contracts, or \$100,000 or more based on manufacturer sales under dealers or resellers, or as requested by the NAC.¹ These preaward reviews help NAC contracting officers negotiate fair and reasonable prices for the government and taxpayers. The reviews are not published because they contain proprietary commercial information, which is protected from release under the Trade Secrets Act.

To promote transparency, this report summarizes the 103 preaward reviews of the NAC’s nonpharmaceutical proposals conducted by the OIG during fiscal years (FYs) 2018–2020. The 103 proposals covered seven schedules, had a cumulative estimated contract value of about \$8.1 billion, and included a total of 129,390 offered items. Contracting officers have completed negotiations on all these proposals. The OIG’s recommendations collectively resulted in about \$242.4 million in savings for VA, which represents 37 percent and 45 percent of sustained and adjusted estimated cost savings, respectively.

This report provides an overview of the three types of action the OIG took related to these reviews:

- **Provided an opinion as to whether the proposal and commercial disclosures were accurate, complete, and current.** The OIG’s preaward reviews determined commercial disclosures were accurate, complete, and current for only 24 of the 103 proposals reviewed (23 percent). This means 24 proposals were reliable for determining negotiation objectives and, ultimately, fair and reasonable pricing. The remaining 79 proposals (77 percent) could not reliably be used for negotiations until the noted deficiencies were corrected. Common reasons for the deficient findings included vendors disclosing the incorrect most-favored customer or the incorrect most-favored-customer price or discount.
- **Made recommendations for pricing based on the vendor’s commercial selling practices.** The OIG made recommendations for lower prices than offered for 76 proposals (74 percent), resulting in total recommended cost savings of about \$656 million. The OIG’s lower pricing recommendations resulted in the NAC awarding

¹ For this report, “nonpharmaceutical” refers to schedules other than 65I B and 621 I, as described in table 1. “Proposals” includes new contract proposals and contract extensions and product addition modifications. “FSS” refers to VA’s FSS, not the General Service Administration’s (GSA) FSS. VA’s FSS includes Federal Supply Classification Groups 65, 66, and 621. The VA FSS supports the healthcare acquisition needs of VA and other federal government agencies.

contracts or modifications with cost savings of about \$242.4 million of the recommended \$656 million (37 percent) over the life of the contracts. For 15 of the 103 proposals, items were deleted between the vendor’s offer and the contracting officer’s award. Factoring in those deletions, the estimated cost savings increased to 45 percent over the life of the contract.

- **Evaluated and suggested alternative tracking customers.** FSS contracts require vendors to report price reductions they provide to the tracking customer during the contract period, and the government’s price is adjusted accordingly.² In the 103 proposals reviewed, the OIG determined the proposed tracking customers for 35 proposals covering 22,187 of the 129,390 offered items (17 percent) were inadequate. A vendor’s proposed tracking customer may be inadequate if the tracking customer had lower sales volume than the FSS sales volume or no sales volume, was not among the vendor’s largest commercial customers, did not have any offered items on a commercial contract or agreement, or was not comparable to the FSS. For example, the tracking customer was inadequate if it was a wholesaler, dealer or reseller, or distributor. For 14,092 of the 22,187 offered items (64 percent) in the 35 proposals with inadequate tracking customers, the OIG recommended different tracking customers, generally among the vendor’s largest commercial customers or the “All Commercial Customers” category. No tracking customer recommendations could be made for 29 proposals (28 percent) covering 17,690 offered items (14 percent) with no significant commercial sales generally under dealer or reseller proposals.

This report details how many proposals were accurate, complete, or current and provides summary information about pricing and the recommendations made to the NAC for those which were not. It does not propose any additional recommendations for NAC response.

Appendix A lists NAC schedule program sales in FYs 2018–2020, appendix B lists proposals reviewed in FYs 2018–2020, and appendix C details the OIG team’s scope and methodology.

² GSA Manual 552.238-81, “Price Reductions,” July 26, 2021. The manual requires the government and the vendor to agree on a customer or category of customers as the basis of the award. FSS pricing is tracked against this customer’s (or category of customers’) pricing throughout the duration of the contract and represents the government’s discount.

VA Management Comments and OIG Response

While this report is a summary of FSS nonpharmaceutical preaward reviews issued by the OIG in FYs 2018–2020 and contains no recommendations, the OIG provided a draft of this report to the NAC managers to allow them the opportunity to comment. The NAC provided no formal comments on this draft report; however, the director had a technical comment to correct the FSS contract performance period for schedule number 66 III from 10 years to 20 years. The OIG corrected the report to reflect this change.



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Abbreviations

FAR	Federal Acquisition Regulation
FOIA	Freedom of Information Act
FSS	Federal Supply Schedule
FY	fiscal year
GAO	Government Accountability Office
GSA	General Services Administration
NAC	National Acquisition Center
OIG	Office of Inspector General



Introduction

At the request of VA National Acquisition Center (NAC) contracting officers, the VA Office of Inspector General (OIG) reviews nonpharmaceutical proposals for VA’s Federal Supply Schedule (FSS) contracts that provide VA with medical products. The OIG reviews the proposals before the NAC makes awards for contract proposals that have an anticipated annual value of \$10 million or more for high-tech medical equipment, \$3 million or more for all other FSS contracts, \$100,000 or more based on manufacturer sales under dealers or resellers, or as requested by the NAC.³ VA guidelines require preaward reviews to help inform decision-making and prevent the waste of VA funds.

Preaward reviews are not published because they contain proprietary commercial pricing information and data protected from release under the Trade Secrets Act.⁴ However, to promote transparency, this report provides a summary of the 103 preaward reviews of nonpharmaceutical proposals that the OIG conducted during fiscal years (FYs) 2018–2020.

Purpose of Preaward Reviews

The findings and recommendations in the OIG’s preaward reviews are intended to be a resource for contracting officers to negotiate fair and reasonable pricing with vendors. The OIG conducts preaward reviews to validate the commercial sales practices disclosures required by the solicitation in the vendor’s FSS proposal, to identify any lower prices than those offered to the government for products or services, and to determine the validity of proposed tracking customers or to suggest alternative tracking customers for price reductions clause purposes (when the OIG determines the proposed tracking customer is inadequate).⁵

³ NAC, Procedural Guideline 22, “OIG Contract Review Procedures,” June 16, 2015. Federal Acquisition Regulation (FAR) 2.101. This source defines a contracting officer as “a person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. . . . A single contracting officer may be responsible for duties in any or all of these areas.” For this report, “nonpharmaceutical” refers to schedules other than 65 I B and 621 I as described in table 1. “Proposals” include new contract proposals and contract extensions and product addition modifications. “FSS” refers to VA’s FSS, not the General Service Administration’s (GSA) FSS. VA’s FSS includes Federal Supply Classification Groups 65, 66, and 621.

⁴ 18 U.S.C. § 1905 provides for civil and criminal penalties against government employees who divulge or otherwise disclose a contractor’s confidential and proprietary information. The OIG’s contract review reports are marked “For Official Use Only” and are not disclosed outside the government, except through procedures established in the Freedom of Information Act (FOIA). Exemption 4 of FOIA exempts company trade secrets and commercial or financial information from mandatory disclosure to the public.

⁵ NAC, Procedural Guideline 22, “OIG Contract Review Procedures,” June 16, 2015. Office of Procurement Acquisition and Logistics, “Commercial Sales Practices,” accessed September 16, 2021, <https://www.va.gov/opal/nac/fss/csp.asp>, defines the tracking customer as “established at time of contract award . . . [and] is the customer, or category of customer, against which awarded FSS pricing is tracked. This relationship is utilized throughout the life of the contract to determine the potential for price changes. . . . The tracking customer is negotiated at time of contract award and the addition of products. In the price reductions clause, the tracking customer is referred to as the basis of award.”

One of the primary acquisition programs for which the OIG provides preaward and other contract review services is the NAC’s FSS program. The FSS program provides the government with a simplified process for acquiring commercial supplies and services in varying quantities while obtaining volume discounts.⁶ This report provides a summary of the findings and effects of the OIG’s 103 preaward reviews of FSS nonpharmaceutical proposals made to VA in FYs 2018–2020.

VA Federal Supply Schedule Program

The General Services Administration (GSA) has delegated authority to the VA to procure products and supplies, and VA NAC awards and administers the nine FSS award schedules (listed in table 1) to support the healthcare acquisition needs of VA and other government agencies.⁷

Table 1. NAC Schedule Programs

Schedule number	Schedule title	Schedule type
65 I B	Drugs, Pharmaceuticals & Hematology Related Products	Pharmaceuticals
65 II A	Medical Equipment & Supplies	Commodities
65 II C	Dental Equipment & Supplies	Commodities
65 II F	Patient Mobility Devices	Commodities
65 VII	Invitro Diagnostics, Reagents, Test Kits & Test Sets	Commodities
65 V A	X-Ray Equipment & Supplies	Commodities
66 III	Cost-Per-Test, Clinical Laboratory Analyzer	Commodities
621 I	Professional & Allied Healthcare Staffing Services	Services
621 II	Medical Laboratory Testing & Analysis Services	Services

Source: VA Office of Procurement, Acquisition, and Logistics website, accessed January 4, 2022, <https://www.va.gov/opal/nac/fss/schedules.asp>.

⁶ FAR 8.402(a).

⁷ FAR 8.402(a). VA Federal Supply Schedule Service, “Schedules,” accessed January 4, 2022, <https://www.fss.va.gov/>.

FSS award schedules are indefinite delivery/indefinite quantity type contracts awarded to vendors using full and open competition.⁸ Additionally, the FSS program negotiates firm, fixed pricing based on a commercial most-favored-customer pricing concept and includes an option for economic price adjustments.⁹

The goal of the NAC’s FSS program is to leverage the entire federal government’s purchasing power to drive volume-based discounts for healthcare solutions at fair and reasonable prices to all authorized FSS users.¹⁰ During FYs 2018–2020, federal agencies purchased more than \$45.2 billion in products and services through the nine pharmaceutical, commodity, and services schedules listed in appendix A, table A.1. Because of the magnitude of spending through the schedule programs, GSA and VA have established regulations, policies, and procedures to help ensure the government receives the best prices for products and services and FSS vendors are following all the terms and conditions of their FSS contracts. This included VA establishing a robust preaward and postaward contract review program.

Additionally, VA established written guidelines that set forth criteria and procedures for requesting an OIG review of proposals and contracts submitted under or related to contracts or solicitations issued by the NAC.¹¹ The written guidelines require that all FSS nonpharmaceutical proposals be submitted to the OIG for preaward reviews if they are valued annually at \$10 million or more for high-tech medical equipment, \$3 million or more for all other FSS contracts, or \$100,000 or more based on manufacturer(s) sales under dealers or resellers, or as requested by the NAC.

⁸ According to FAR 2.101, “full and open competition, when used with respect to a contract action, means that all responsible sources are permitted to compete.” The Indefinite-Delivery Indefinite-Quantity (IDIQ) Guide, VAAM Appendix M816A, “Background,” January 2019, explains that indefinite delivery/indefinite quantity contracts fulfill recurring needs when the government cannot predetermine the precise times or quantities of supplies or services that will be required during the contract performance period.

⁹ VA Federal Supply Schedule Service, “Schedules,” accessed January 4, 2022, <https://www.fss.va.gov/>. VA FSS Solicitation No. RFP-797-FSS-99-0025-R10, attachment 02, “Vendor Response Document,” “COMMERCIAL SALES PRACTICE FORMAT” defines the most-favored customer as the commercial customer who receives the best upfront (guaranteed) discount. This is not inclusive of “conditional” discounts, such as prompt payment discounts or annual rebates based on reaching a threshold. FAR 552.216-70 Economic Price Adjustment—FSS Multiple Award Schedule Contracts.

¹⁰ FAR 38.101(a) and 8.404(d).

¹¹ NAC, Procedural Guideline 22, “OIG Contract Review Procedures,” June 16, 2015.

A Summary of Nonpharmaceutical Preaward Reviews, FYs 2018–2020

As shown in table 2, the 103 proposals reviewed by the OIG in FYs 2018–2020 had an estimated contract value of about \$8.1 billion and included 129,390 offered items. The OIG reviewed 2,824 of the 129,390 offered items; those items generally represented at least 75 percent of historical government sales of each proposal.¹²

Table 2. Proposals Reviewed in FYs 2018–2020

FY	Proposals	Estimated contract value (\$)	Offered items	Sampled items
2018	48	4,217,047,258	57,536	1,489
2019	21	2,169,975,352	42,865	663
2020	34	1,752,237,680	28,989	672
Total	103	8,139,260,290	129,390	2,824

Source: Appendix B, table B.1, FY subtotals and total.

Note: Estimated contract value rounded to the nearest whole dollar.

What the OIG Did

The OIG teams’ objectives were to

- provide an opinion as to whether the commercial sales practice disclosures in the proposals were accurate, complete, and current;
- evaluate offered prices and concessions and provide pricing recommendations; and
- determine if the proposed tracking customers were appropriate for price reductions clause purposes.

The OIG’s reported findings for each of the 103 issued nonpharmaceutical preaward reviews are summarized in the following sections:

- Evaluation of Commercial Sales Practices Disclosures
- Evaluation of Offered Prices
- Evaluation of Proposed Tracking Customers

¹² The OIG generally reviews offered items that represent at least 75 percent of historical government sales as requested by the contracting officer, a percentage that may be further reduced with a greement from the officer.

Information on the OIG team’s scope and methodology appears in appendix C.

Evaluation of Commercial Sales Practices Disclosures

The OIG’s preaward reviews found commercial sales practices disclosures to be accurate, complete, and current for only 24 of the 103 proposals (23 percent). This means 24 proposals were reliable for determining negotiation objectives and ultimately fair and reasonable pricing using the commercial pricing information in the disclosures. The remaining 79 proposals (77 percent) were not accurate, complete, or current and could not reliably be used for negotiations until the noted deficiencies were corrected.

Government contracts generally require competition among vendors to ensure awarded prices are fair and reasonable. However, contracts under FSS award schedules are awarded to vendors using full and open competition—meaning all responsible sources are permitted to compete. Under the FSS program, vendors disclose their commercial prices and terms and conditions on the commercial sales practices form in their FSS proposals. Contracting officers use this disclosed information to evaluate the proposed prices, set the negotiation objectives, and determine whether the vendor’s offered prices are fair and reasonable. Therefore, commercial sales practices disclosures should be accurate, complete, and current so the contracting officer can make a fair and reasonable price determination.

The commercial sales practices section of FSS nonpharmaceutical solicitations, product addition modifications, or contract extension modifications include instructions on what vendors shall disclose to the government.¹³ The instructions state that if vendors are offering prices lower than the most-favored-customer prices, those customers and prices are to be disclosed.¹⁴ Otherwise, vendors are required by the solicitation or modification to disclose all commercial prices equal to or lower than those prices offered to the government and to disclose all customers or categories of customers who are receiving those prices.

Vendors are also required to provide detailed information as to how customers may qualify for prices or discounts lower than those offered to the government.¹⁵ Any deviations from the commercial sales practices disclosures or exceptions to the disclosed standard practices must be discussed and explained.¹⁶ For vendors who are dealers or resellers with no significant

¹³ VA FSS Solicitation No. RFP-797-FSS-99-0025-R10, attachment 02, “Vendor Response Document,” “COMMERCIALSALES PRACTICEFORMAT.”

¹⁴ VA FSS Solicitation No. RFP-797-FSS-99-0025-R10, attachment 02, “Vendor Response Document.”

¹⁵ VA FSS Solicitation No. RFP-797-FSS-99-0025-R10, attachment 02, “Vendor Response Document,” question (3).

¹⁶ VA FSS Solicitation No. RFP-797-FSS-99-0025-R10, attachment 02, “Vendor Response Document,” question (4)(b).

commercial sales, manufacturers of the offered items should provide commercial sales practices disclosures in accordance with instructions.

Table 3 lists the findings and number of occurrences among the 79 proposals with commercial sales practices found not to be accurate, complete, or current. Common reasons for the findings in table 3 generally included incorrect most-favored-customer price, discount, or customer disclosures. As the vendors generally did not follow solicitation or modification instructions regarding most-favored pricing or customer disclosures, the contracting officer could not rely on the commercial sales practices to make fair and reasonable price determinations to award FSS contracts or add products to an FSS contract.

Table 3. Commercial Sales Practices Findings by Fiscal Year

Commercial sales practices findings	2018	2019	2020	Total
Incorrect most-favored-customer prices or discounts disclosed	22	13	19	54
Incorrect most-favored customers disclosed	5	2	8	15
Pricing recommendation could not be made	3	1	1	5
Most-favored customers limited to group customers	4	0	0	4
Pricing between most-favored customers and offered FSS not disclosed	1	1	1	3
Incomplete proposal—missing most-favored-customer disclosures	0	2	0	2
Most-favored customers limited to comparable customers (or customer groups) as determined by vendor	0	0	2	2
Incomplete commercial sales practices disclosures	0	0	1	1
Incorrect discount or customer disclosures in Figure 515.4-2	0	1	0	1
Items excluded from proposal	0	0	1	1
Most-favored customers limited to contract discount to the proposed tracking customers	1	0	0	1
Total*	36	20	33	89

Source: Analysis of commercial sales practices disclosures.

* Among the 79 proposals, some contained more than one reason, so the sum does not total to 79.

Note: The OIG did not have commercial sales practices findings for five proposals as there were no commercial sales, or the vendor did not adequately respond to the OIG’s preaward review requests.

Evaluation of Offered Prices

The objective of the FSS program is to achieve most-favored-customer pricing or better for the government. GSA states the government will seek to obtain a vendor’s best price (the best price given to the most-favored customer). However, the government recognizes that terms and conditions of commercial sales vary, and there may be legitimate reasons why the best price is not achieved.¹⁷ Additionally, GSA and the Federal Acquisition Regulation (FAR) state the benefit of the FSS program is competitive, market-based pricing that leverages the volume buying power of the entire federal government.¹⁸

According to GSA, when establishing negotiation objectives and determining price reasonableness of a proposal, the contracting officer must compare the terms and conditions of the FSS solicitation or modification with the terms and conditions of agreements with the vendor’s commercial customers. When determining the government’s price negotiation objectives, the aggregate volume of anticipated purchases—among other factors—must be considered.¹⁹

Among the 103 proposals reviewed, the OIG determined prices offered to the government were higher than the most-favored-customer prices in 92 proposals (89 percent) and lower than or equal to the most-favored-customer prices for seven proposals (7 percent).²⁰ Table 4 summarizes the reasons the vendors chose not to offer most-favored-customer prices.

Table 4. Rationale for Not Offering Most-Favored-Customer Pricing

Rationale	2018	2019	2020	Total
No reasons or inadequate reasons given	26	15	27	68
FSS does not meet contract/agreement criteria and cannot agree to contract/agreement terms and conditions	10	2	1	13
Most-favored-customer prices restricted to a customer type	9	0	1	10
Most-favored-customer sales volume significantly greater than FSS sales volume	3	0	0	3
Most-favored-customer pricing disclosed based on deviations	1	0	0	1
Dealer/reseller acquisition cost	0	0	1	1
Total*	49	17	30	96

Source: Analysis of offered prices.

** Among the 92 proposals, some contained more than one reason, so the sum does not total to 92.*

¹⁷ 48 C.F.R. § 538.270-1(e); GSA Manual 538.270-1, “Evaluation of offers without access to transactional data,” June 23, 2016.

¹⁸ GSA, Multiple Award Schedules Desk Reference, Winter 2019.

¹⁹ 48 C.F.R. § 538.270-1(e); GSA Manual 538.270-1, “Evaluation of offers without access to transactional data.”

²⁰ The OIG recommended “no award” for the remaining four proposals as there were no commercial sales, or the vendor did not adequately respond to the OIG’s preaward review requests.

If the government is not receiving the most-favored-customer price (in other words, the lowest commercial price), the OIG considers commercial prices lower than the offered FSS price for price recommendation purposes. This determination may result in cost savings, which are the potential dollar impact from implementing a recommendation that would reduce the cost of medical supplies and equipment and make these funds available for other uses. Specifically, the OIG’s estimated cost savings are calculated as the difference between the vendor’s offered prices and the OIG’s recommended prices, multiplied by historical order volume, and extrapolated over the applicable contract period. For example, a new contract would be 10 years, but a product addition or contract extension could be one year to 10 years, depending on the potential remaining contract performance period.

As shown in table 5, the OIG recommended seeking lower prices than offered for 76 proposals, resulting in total estimated cost savings of about \$656 million. These lower prices applied to 1,246 of the 2,824 sampled items (44 percent) in the 103 proposals reviewed during FYs 2018–2020.

Table 5. Lower Pricing Recommendations and Estimated Cost Savings in FYs 2018–2020

FY	Proposals	Sampled items	OIG’s estimated cost savings (\$)
2018	39	767	221,920,344
2019	13	180	328,997,970
2020	24	299	105,033,965
Total	76	1,246	655,952,279

Source: Appendix B, table B.2 FY subtotals and total.

Note: OIG’s estimate cost savings are rounded to the nearest whole dollar.

The OIG’s lower pricing recommendations resulted in the NAC awarding contracts or modifications with cost savings of about \$242.4 million of the recommended \$656 million (37 percent) over the life of the contracts. For 15 of 103 proposals, items were deleted between the vendor’s offer and the contracting officer’s award. Factoring in those deletions, the estimated cost savings increased to 45 percent over the life of the contract. Table 6 on the next page details the cost savings among the 103 preaward reviews for awarded contracts during FYs 2018–2020 with lower-than-offered price recommendations.

Table 6. Sustained and Adjusted Cost Savings in FYs 2018–2020

FY	Pro- posals	OIG’s estimated (\$)	VA’s sustained (\$)	Sustained (%)	OIG’s <i>adjusted</i> estimated (\$)	VA’s <i>adjusted</i> sustained (\$)	<i>Adjusted</i> sustained (%)
2018	48	221,920,344	32,933,594	15	106,152,369	32,933,594	31
2019	21	328,997,970	179,356,148	55	328,608,524	179,356,148	55
2020	34	105,033,965	30,110,703	29	101,672,854	30,110,703	30
Total	103	655,952,279	242,400,445	37	536,433,747	242,400,445	45

Source: Appendix B, table B.3 subtotals for FYs 2018, 2019, and 2020, respectively, and total.

Note: All values (for example, OIG’s estimated cost savings, VA’s estimated cost savings) are rounded to the nearest whole dollar.

Evaluation of Proposed Tracking Customers

FSS contracts are awarded for an initial five-year base period and either one five-year option period not to exceed 10 years or up to three five-year option periods not to exceed 20 years, in the case of schedule number 66 III (see table 1). The GSA price reductions clause mandates lowering the FSS contract price based on price reductions to tracking customers.²¹ This contract clause requires the government and the vendor to agree on a customer or category of customers for the basis of the award (in other words, the tracking customer). This customer’s (or category of customers’) pricing is tracked against FSS pricing, is maintained throughout the contract period, and represents the government’s price or discount relationship to the identified tracking customer.

The price reductions clause also states that changes in a vendor’s pricing arrangements with the identified tracking customer initiates a price reduction.²² The clause stipulates when a vendor is to report price reductions provided to a tracking customer. For example, if the government’s awarded price for a product is \$100 and the tracking customer’s price at award is \$100, the tracking ratio is 1:1. If the tracking customer’s price is reduced to \$90, the price reductions clause mandates the government’s price be reduced to \$90 to maintain the awarded tracking ratio of 1:1. This arrangement helps ensure the government is receiving fair and reasonable pricing during the entire contract period.

²¹ GSA Manual 552.238-81, “Price Reductions,” May 2019.

²² Exceptions to recognizing a price reduction violation occur when sales are made to commercial customers under firm, fixed-price definite quantity contracts with specified delivery exceeding the maximum order threshold specified in an FSS contract; made to federal agencies; made to eligible ordering activities; or caused by an error in quotation or billing.

In the 103 proposals reviewed, the OIG did not make tracking customer recommendations for 29 proposals (28 percent) covering 17,690 offered items (14 percent) with no commercial sales, generally under dealer or reseller proposals. Additionally, the OIG determined that 35 proposals (34 percent) covering 22,187 offered items (17 percent) included tracking customers that were not adequate for the purposes of the GSA price reductions clause. A vendor’s proposed tracking customer may be inadequate if that customer did not have the offered item(s) on its commercial contract(s) or agreement(s), was not comparable to the FSS (for example, the tracking customer was a wholesaler, dealer or reseller, or distributor), had lower sales volume than the FSS sales volume or no sales volume, or was not among the vendor’s largest commercial customers.

For 14,092 of the 22,187 offered items (64 percent) in the 35 proposals with inadequate tracking customers, the OIG recommended using the vendor’s largest commercial customers (group purchasing organizations or integrated delivery networks) or the “All Commercial Customers” category. According to the Government Accountability Office (GAO),

[group purchasing organizations] ... act as purchasing intermediaries that negotiate contracts between health care providers and vendors of medical products and services. ... The intent of [group purchasing organizations] is to save their customers money by pooling their purchases to obtain lower prices and by taking on the administrative burden of negotiating contracts with vendors.²³

Similarly, the GAO describes integrated delivery networks as a way hospitals, physicians, and other providers integrate clinical care, financial management, and human resources to improve patient care (which may include lowering costs).²⁴ The “All Commercial Customer” category is recommended if the OIG determines no other customer or customer group will provide adequate tracking customer coverage for price reductions clause purposes. Table 7 on the next page summarizes the OIG’s basis for its recommendations regarding tracking customers for the 35 proposals.

Selecting a tracking customer for price reductions clause purposes involves a variety of factors that can be weighted and analyzed differently, but there is no authoritative guidance. The OIG recommends tracking customers who provide contract item coverage and who, in the OIG’s opinion, should provide long-term price protection for the government. However, the contracting officer may decide different tracking customers provide adequate price reduction protection or may be used as a tradeoff during negotiations.

²³ GAO, *Funding Structure Has Potential Implications for Medicare Costs*, GAO-15-13, October 2014.

²⁴ GAO, *Features of Integrated Systems Support Patient Care Strategies and Access to Care, but Systems Face Challenges*, GAO-11-49, November 2010.

Table 7. Basis for Recommendations Regarding Tracking Customers for FYs 2018–2020

Basis of recommendation	2018	2019	2020	Total
"All Commercial Customers" category	11	6	6	23
Group purchasing organization	6	5	4	15
Other customer category or price category	4	2	0	6
Disclosed most-favored customer	0	0	2	2
Integrated delivery network	1	0	1	2
Total*	22	13	13	48

Source: Analysis of recommended tracking customers.

* Among the 35 proposals, some contained more than one reason, so the sum does not total to 35.

The implementation status of recommendations regarding tracking customers for the 103 proposals the OIG reviewed is summarized in table 8. For the 67 proposals awarded as contracts or modifications with tracking customer recommendations, the recommendations were fully or partially implemented by the NAC for 60 proposals (90 percent).²⁵

Table 8. Implementation Status of Tracking Customer Recommendations in Reviewed Awards, FYs 2018–2020

FY	Full	Partial	Not	Not applicable	No award	Offer withdrawn	Total
2018	19	11	3	9	3	3	48
2019	8	4	0	6	0	3	21
2020	13	5	4	11	0	1	34
Total	40	20	7	26	3	7	103

Source: Appendix B, table B.4, FY subtotals and total.

Note: Full=fully implemented if the NAC sustained all the OIG's tracking customer recommendations. Partial=partially implemented if the NAC sustained some of the OIG's tracking customer recommendations (for example, if the OIG recommended a group purchasing organization and All Commercial Customers as the tracking customers but the NAC only sustained All Commercial Customers). Not=not implemented if the NAC did not sustain any of the OIG's tracking customer recommendations. Not applicable if the OIG could not make a tracking customer recommendation (for example, if the vendor—dealer/reseller or otherwise—had no significant commercial sales).

²⁵ The 67 proposals broke down as follows: 40 fully implemented + 20 partially implemented + seven not implemented.

Conclusion

The federal government spends billions of dollars annually on medical supplies through the NAC's FSS program. The OIG's findings and recommendations in the preaward reviews helped NAC's contracting officers reduce the cost of medical supplies, which saved taxpayers about \$242.4 million on proposals reviewed by the OIG in FYs 2018–2020 and awarded in FYs 2018–2021.

This report provides summary information about prior recommendations made to the NAC; it does not propose additional recommendations for the NAC's response.

VA Management Comments

The NAC provided no formal comments on the draft; however, the director of the Federal Supply Schedule Service at the NAC had a technical comment to correct the FSS contract performance period for schedule number 66 III from 10 years to 20 years.

OIG Response

The OIG corrected the report to reflect the requested change.

Appendix A: NAC Schedule Program Sales in FYs 2018–2020

During FYs 2018–2020, federal agencies purchased more than \$45.2 billion in products and services through the nine pharmaceutical, commodity, and services schedules shown in table A.1.

Table A.1. NAC Schedule Program Sales in FYs 2018–2020

Schedule number	Schedule title	Schedule type	Sales in millions (\$)	Total sales (%)
FY 2018				
65 I B	Pharmaceuticals	Pharmaceuticals	11,279.2	79
65 II A	Medical Equipment & Supplies	Commodities	1,672.5	12
65 II C	Dental Equipment & Supplies	Commodities	109.3	1
65 II F	Patient Mobility Devices	Commodities	228.6	1
65 VII	Invitro Diagnostics, Reagents, Test Kits & Test Sets	Commodities	130.3	1
65 V A	X-Ray Equipment & Supplies	Commodities	6.3	<1
66 III	Cost-Per-Test, Clinical Laboratory Analyzer	Commodities	295.6	2
621 I	Professional & Allied Healthcare Staffing Services	Services	418.9	3
621 II	Medical Laboratory Testing & Analysis Services	Services	128.7	1
FY 2018 Total			14,269.4	100
FY 2019				
65 I B	Pharmaceuticals	Pharmaceuticals	12,596.9	81
65 II A	Medical Equipment & Supplies	Commodities	1,549.8	10
65 II C	Dental Equipment & Supplies	Commodities	103.1	1
65 II F	Patient Mobility Devices	Commodities	246.6	1
65 VII	Invitro Diagnostics, Reagents, Test Kits & Test Sets	Commodities	122.0	1
65 V A	X-Ray Equipment & Supplies	Commodities	5.9	0
66 III	Cost-Per-Test, Clinical Laboratory Analyzer	Commodities	299.0	2

Schedule number	Schedule title	Schedule type	Sales in millions (\$)	Total sales (%)
FY 2019				
621 I	Professional & Allied Healthcare Staffing Services	Services	404.9	3
621 II	Medical Laboratory Testing & Analysis Services	Services	131.2	1
FY 2019 Total			15,459.4	100
FY 2020				
65 I B	Pharmaceuticals	Pharmaceuticals	12,861.8	83
65 II A	Medical Equipment & Supplies	Commodities	1,374.2	9
65 II C	Dental Equipment & Supplies	Commodities	70.6	<1
65 II F	Patient Mobility Devices	Commodities	208.4	1
65 VII	Invitro Diagnostics, Reagents, Test Kits & Test Sets	Commodities	140.8	<1
65 V A	X-Ray Equipment & Supplies	Commodities	3.4	<1
66 III	Cost-Per-Test, Clinical Laboratory Analyzer	Commodities	249.9	2
621 I	Professional & Allied Healthcare Staffing Services	Services	438.8	3
621 II	Medical Laboratory Testing & Analysis Services	Services	123.4	<1
FY 2020 Total			15,471.3	100
Total			45,200.1	

Source: VA National Acquisition Center, VA FSS Newsletters: Issue 63, February 2019, accessed July 16, 2021, <https://www.va.gov/opal/docs/nac/fss/newsletter201902.pdf>; Issue 65, April 2020, accessed July 16, 2021, <https://www.va.gov/opal/docs/nac/fss/newsletter202004.pdf>; and Issue 68, March 2021, <https://www.va.gov/opal/docs/nac/fss/newsletter202103.pdf>.

Note: Sales in millions rounded to nearest hundredth dollar.

Appendix B: Proposals Reviewed in FYs 2018–2020

Proposal Coverage

Because of the magnitude of spending through the VA schedule programs, GSA and VA have established regulations, policies, and procedures to help ensure the government receives the best prices for medical supplies and the FSS vendors are following all the terms and conditions of their FSS contracts. The OIG performs preaward reviews of FSS proposals made to VA that cover services, including preaward and postaward reviews associated with the award and modification of the schedules and other contracts awarded by the NAC.

During FYs 2018–2020, the OIG reviewed 103 proposals under the seven nonpharmaceutical schedules representing about \$8.1 billion in estimated contract value—129,390 offered items, of which 2,824 (2 percent) generally represented at least 75 percent of historical government sales, as shown in table B.1.

Table B.1. VA National Acquisition Center Proposals Reviewed in FYs 2018–2020

Schedule number	Schedule title	Proposal category	Proposals	Estimated contract value (\$)	Offered items	Sampled items
FY 2018						
65 II A	Medical Equipment & Supplies	Addition	8	117,996,688	2,830	206
65 II A	Medical Equipment & Supplies	Extension	12	579,566,377	20,888	387
65 II A	Medical Equipment & Supplies	New Contract	18	2,484,170,765	29,364	469
<i>65 II A Total</i>			38	3,181,733,830	53,082	1,062
65 II C	Dental Equipment & Supplies	New Contract	1	78,314,760	152	17
<i>65 II C Total</i>			1	78,314,760	152	17
65 II F	Patient Mobility Devices	New Contract	2	164,208,520	99	16
<i>65 II F Total</i>			2	164,208,520	99	16

Summary of Preaward Reviews of VA FSS Nonpharmaceutical Proposals, FYs 2018–2020

Schedule number	Schedule title	Proposal category	Proposals	Estimated contract value (\$)	Offered items	Sampled items
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FY 2018

65 VII	Invitro Diagnostics, Reagents, Test Kits & Test Sets	Extension	4	194,137,828	1,358	83
65 VII	Invitro Diagnostics, Reagents, Test Kits & Test Sets	New Contract	1	210,099,200	2,554	156
<i>65 VII Total</i>			5	404,237,028	3,912	239
66 III	Cost-Per-Test, Clinical Laboratory Analyzer	New Contract	2	388,553,120	291	155
<i>66 III Total</i>			2	388,553,120	291	155
<i>FY 2018 Total</i>			48	4,217,047,258	57,536	1,489

FY 2019

65 II A	Medical Equipment & Supplies	Addition	2	78,039,953	4,347	20
65 II A	Medical Equipment & Supplies	Extension	5	317,219,259	7,362	167
65 II A	Medical Equipment & Supplies	New Contract	8	1,627,298,232	8,948	412
<i>65 II A Total</i>			15	2,022,557,444	20,657	599
65 II F	Patient Mobility Devices	Extension	3	63,446,548	157	31
65 II F	Patient Mobility Devices	New Contract	1	64,471,360	22,049	31
<i>65 II F Total</i>			4	127,917,908	22,206	62

Summary of Preaward Reviews of VA FSS Nonpharmaceutical Proposals, FYs 2018–2020

Schedule number	Schedule title	Proposal category	Proposals	Estimated contract value (\$)	Offered items	Sampled items
FY 2019						
66 III	Cost-Per-Test, Clinical Laboratory Analyzer	New Contract	1	19,500,000	2	2
66 III Total			1	19,500,000	2	2
65 V A*	X-Ray Equipment & Supplies	Extension	1	0	0	0
65 V A Total			1	0	0	0
FY 2019 Total			21	2,169,975,352	42,865	663

* The 65 V A proposal in FY 2019 has an estimated contract value of \$0 and zero offered and sampled items as the OIG did not complete a review of this proposal due to insignificant commercial sales.

FY 2020						
65 II A	Medical Equipment & Supplies	Addition	6	24,982,823	2,213	50
65 II A	Medical Equipment & Supplies	Extension	9	374,278,600	9,476	104
65 II A	Medical Equipment & Supplies	New Contract	14	1,056,932,680	13,294	380
65 II A Total			29	1,456,194,103	24,983	534
65 II F	Patient Mobility Devices	Extension	1	19,771,428	641	62
65 II F	Patient Mobility Devices	New Contract	1	7,525,000	9	9
65 II F Total			2	27,296,428	650	71
65 VII	Invitro Diagnostics, Reagents, Test Kits & Test Sets	New Contract	1	164,686,857	22	6
65 VII Total			1	164,686,857	22	6

Schedule number	Schedule title	Proposal category	Proposals	Estimated contract value (\$)	Offered items	Sampled items
FY 2020						
66 III	Cost-Per-Test, Clinical Laboratory Analyzer	New Contract	1	37,056,692	27	7
<i>66 III Total</i>			1	37,056,692	27	7
621 II	Medical Laboratory Testing & Analysis Services	New Contract	1	67,003,600	3,307	54
<i>621 II Total</i>			1	67,003,600	3,307	54
FY 2020 Total			34	1,752,237,680	28,989	672
Total			103	8,139,260,290	129,390	2,824

Source: VA OIG reports and proposal files.

Note: Estimated contract value is rounded to the nearest whole dollar.

Lower Pricing Recommendations and Estimated Cost Savings

The OIG determined the most-favored-customer price was not being offered to the government; therefore, it considered commercial prices lower than offered to the FSS that may have resulted in cost savings. Cost savings are the potential dollar impact from implementing a recommendation. They reduce the cost of medical supplies and equipment and make these funds available for other VA funding needs and are not considered potential budget savings.

As shown in table B.2 on the next page, the OIG made recommendations during FYs 2018–2020 for lower prices than offered for 76 proposals, resulting in total estimated cost savings of about \$656 million. These lower prices applied to 1,246 of the 2,824 sampled items (44 percent) in the 103 proposals.

Table B.2. Lower Pricing Recommendations and Estimated Cost Savings in FYs 2018–2020

Schedule number	Schedule title	Proposal category	Proposals	Sample items	OIG's estimated cost savings (\$)
FY 2018					
65 II A	Medical Equipment & Supplies	Addition	6	107	7,248,740
65 II A	Medical Equipment & Supplies	Extension	12	258	51,503,475
65 II A	Medical Equipment & Supplies	New Contract	13	194	119,551,030
<i>65 II A Total</i>			31	559	178,303,245
65 II F	Patient Mobility Devices	New Contract	2	14	7,426,387
<i>65 II F Total</i>			2	14	7,426,387
65 VII	Invitro Diagnostics, Reagents, Test Kits & Test Sets	Extension	3	65	8,575,496
65 VII	Invitro Diagnostics, Reagents, Test Kits & Test Sets	New Contract	1	104	27,615,216
<i>65 VII Total</i>			4	169	36,190,712
66 III	Cost-Per-Test, Clinical Laboratory Analyzer	New Contract	2	25	0
<i>66 III Total</i>			2	25	0
FY 2018 Total			39	767	221,920,344
FY 2019					
65 II A	Medical Equipment & Supplies	Extension	3	32	4,099,228
65 II A	Medical Equipment & Supplies	New Contract	5	106	313,466,528
<i>65 II A Total</i>			8	138	317,565,756

Schedule number	Schedule title	Proposal category	Proposals	Sample items	OIG's estimated cost savings (\$)
FY 2019					
65 II F	Patient Mobility Devices	Extension	3	27	9,472,944
65 II F	Patient Mobility Devices	New Contract	1	13	1,952,549
<i>65 II F Total</i>			4	40	11,425,493
66 III	Cost-Per-Test, Clinical Laboratory Analyzer	New Contract	1	2	6,721
<i>66 III Total</i>			1	2	6,721
FY 2019 Total			13	180	328,997,970
FY 2020					
65 II A	Medical Equipment & Supplies	Addition	5	24	1,298,024
65 II A	Medical Equipment & Supplies	Extension	7	53	34,720,756
65 II A	Medical Equipment & Supplies	New Contract	10	211	65,955,162
<i>65 II A Total</i>			22	288	101,973,942
65 II F	Patient Mobility Devices	Extension	1	4	94,123
65 II F	Patient Mobility Devices	New Contract	1	7	2,965,900
<i>65 II F Total</i>			2	11	3,060,023
FY 2020 Total			24	299	105,033,965
Total			76	1,246	655,952,279

Source: Analysis of VA OIG reports.

Notes: OIG's estimated cost savings are rounded to the nearest whole dollar.

The two 66 III proposals in FY 2018 had lower pricing recommendations, but no estimated cost savings were calculated as there were insufficient FSS or commercial details to complete the analysis.

Sustained and Adjusted Sustained Cost Savings

VA’s sustained cost savings is the estimated cost savings based on the final prices awarded by the contracting officer. However, as items were deleted between offer and award for 15 of 103 proposals (17 percent), VA’s *adjusted* sustained cost savings is the estimated cost savings adjusted for deleted sample items based on the final prices awarded by the contracting officer.

Table B.3 for FYs 2018–2020 shows VA was able to sustain 37 percent of the VA OIG’s estimated cost savings among preaward reviews for awarded contracts in FYs 2018–2020 that had lower-than-offered price recommendations. A review of adjusted sustained cost savings shows VA was able to sustain 45 percent of the VA OIG’s adjusted estimated cost savings among preaward reviews for awarded contracts in FYs 2018–2020 that had lower-than-offered price recommendations.

Table B.3. Cost Savings Data for FYs 2018–2020 by Preaward Review

Report	OIG’s estimated (\$)	VA’s sustained (\$)	Sustained (%)	OIG’s <i>adjusted</i> estimated (\$)	VA’s <i>adjusted</i> sustained (\$)	<i>Adjusted</i> sustained (%)
FY 2018						
1	0	0	N/A	0	0	N/A
2*	0	0	N/A	0	0	N/A
3	3,098,360	550,460	17.71	2,460,500	550,460	22.37
4	0	0	N/A	0	0	N/A
5	1,149,037	313,425	27.28	1,149,037	313,425	27.28
6	0	0	N/A	0	0	N/A
7	5,477,136	0	0.00	5,477,136	0	0.00
8	0	0	N/A	0	0	N/A
9†	3,818,222	0	0.00	3,818,222	0	0.00
10	43,079,180	1,513,220	3.51	2,818,000	1,513,220	53.70
11	0	0	N/A	0	0	N/A
12	11,097,606	800,780	7.22	800,780	800,780	100.00
13†	395,779	0	0.00	395,779	0	0.00
14	27,615,216	158,630	0.57	129,190	158,630	122.79
15	3,060,380	1,426,246	46.60	3,060,380	1,426,246	46.60
16†	0	0	N/A	0	0	N/A
17	216,525	340	0.16	216,525	340	0.16
18	0	0	N/A	0	0	N/A

Summary of Preaward Reviews of VA FSS Nonpharmaceutical Proposals, FYs 2018–2020

Report	OIG's estimated (\$)	VA's sustained (\$)	Sustained (%)	OIG's adjusted estimated (\$)	VA's adjusted sustained (\$)	Adjusted sustained (%)
FY 2018						
19	35	35	100.00	35	35	100.00
20	59,510	43,200	72.59	59,510	43,200	72.59
21	0	0	N/A	0	0	N/A
22	71,892	71,892	100.00	71,892	71,892	100.00
23	4,367,250	629,142	14.41	4,367,250	629,142	14.41
24	379,540	67,248	17.72	379,540	67,248	17.72
25	3,396,381	1,397,260	41.14	2,658,089	1,397,260	52.57
26	729,299	223,049	30.58	729,299	223,049	30.58
27	0	0	N/A	0	0	N/A
28	6,277,350	1,914,943	30.51	6,277,350	1,914,943	30.51
29	0	0	N/A	0	0	N/A
30	30,166,900	0	0.00	0	0	0.00
31	0	0	N/A	0	0	N/A
32	749,980	81,823	10.91	749,980	81,823	10.91
33	16,435,580	1,793,870	10.91	16,435,580	1,793,870	10.91
34*	667,900	0	0.00	667,900	0	0.00
35	7,510,120	1,534,122	20.43	1,534,122	1,534,122	100.00
36	6,855,846	1,449,698	21.15	6,855,846	1,449,698	21.15
37	6,086,950	1,550,850	25.48	6,086,950	1,550,850	25.48
38	2,799,030	1,151,340	41.13	2,799,030	1,151,340	41.13
39	0	0	N/A	0	0	N/A
40	15,669,801	15,669,801	100.00	15,669,801	15,669,801	100.00
41	565,725	312,375	55.22	565,725	312,375	55.22
42	0	0	N/A	0	0	N/A
43	3,182,794	56,645	1.78	3,182,794	56,645	1.78
44	219,200	211,400	96.44	219,200	211,400	96.44
45	115,360	11,800	10.23	115,360	11,800	10.23
46	0	0	N/A	0	0	N/A
47*	0	0	N/A	0	0	N/A
48	16,606,460	0	0.00	16,401,567	0	0.00

Summary of Preaward Reviews of VA FSS Nonpharmaceutical Proposals, FYs 2018–2020

Report	OIG's estimated (\$)	VA's sustained (\$)	Sustained (%)	OIG's adjusted estimated (\$)	VA's adjusted sustained (\$)	Adjusted sustained (%)
FY 2018						
<i>FY 2018 Total</i>	221,920,344	32,933,594	14.84	106,152,369	32,933,594	31.02
FY 2019						
49	0	0	N/A	0	0	N/A
50	2,046,870	0	0.00	2,046,870	0	0.00
51	274,683,700	174,417,239	63.50	274,683,700	174,417,239	63.50
52	6,721	0	0.00	6,721	0	0.00
53†	11,828,622	0	0.00	11,828,622	0	0.00
54	1,951,898	1,893,144	96.99	1,879,420	1,893,144	100.73
55	9,907,263	0	0.00	9,907,263	0	0.00
56	100,460	38,700	38.52	100,460	38,700	38.52
57	0	0	N/A	0	0	N/A
58	0	0	N/A	0	0	N/A
59	1,952,549	1,202,887	61.61	1,648,741	1,202,887	72.96
60	7,976,688	582,401	7.30	7,976,688	582,401	7.30
61	875,510	875,510	100.00	875,510	875,510	100.00
62	1,231,608	0	0.00	1,231,608	0	0.00
63	0	0	N/A	0	0	N/A
64	264,648	346,268	130.84	251,488	346,268	137.69
65	0	0	N/A	0	0	N/A
66†	16,171,433	0	0.00	16,171,433	0	0.00
67	0	0	N/A	0	0	N/A
68	0	0	N/A	0	0	N/A
69†	0	0	N/A	0	0	N/A
<i>FY 2019 Total</i>	328,997,970	179,356,148	54.52	328,608,524	179,356,148	54.58
FY 2020						
70	2,965,900	718,080	24.21	2,965,900	718,080	24.21
71†	0	0	N/A	0	0	N/A

Summary of Preaward Reviews of VA FSS Nonpharmaceutical Proposals, FYs 2018–2020

Report	OIG's estimated (\$)	VA's sustained (\$)	Sustained (%)	OIG's adjusted estimated (\$)	VA's adjusted sustained (\$)	Adjusted sustained (%)
FY 2020						
72	154,388	85,388	55.31	154,388	85,388	55.31
73	3,000	3,000	100.00	3,000	3,000	100.00
74	0	0	N/A	0	0	N/A
75	0	0	N/A	0	0	N/A
76	0	0	N/A	0	0	N/A
77	1,056,818	0	0.00	1,056,818	0	0.00
78	0	0	N/A	0	0	N/A
79	16,056	16,056	100.00	16,056	16,056	100.00
80	1,393,279	986,580	70.81	1,393,279	986,580	70.81
81	70,763	2,040	2.88	70,763	2,040	2.88
82	6,906,646	5,704,570	82.60	6,906,646	5,704,570	82.60
83	10,444,447	9,115,749	87.28	8,776,538	9,115,749	103.86
84	9,146,480	979,980	10.71	9,146,480	979,980	10.71
85	0	0	N/A	0	0	N/A
86	1,236,870	76,350	6.17	1,236,870	76,350	6.17
87	9,476,271	2,999,480	31.65	9,476,271	2,999,480	31.65
88	2,645,731	791,675	29.92	952,529	791,675	83.11
89	416,054	109,083	26.22	416,054	109,083	26.22
90	0	0	N/A	0	0	N/A
91	9,507,376	644,716	6.78	9,507,376	644,716	6.78
92	0	0	N/A	0	0	N/A
93	28,094	28,094	100.00	28,094	28,094	100.00
94	0	0	N/A	0	0	N/A
95	19,994,324	4,127,118	20.64	19,994,324	4,127,118	20.64
96	0	0	N/A	0	0	N/A
97	0	0	N/A	0	0	N/A
98	13,273,320	0	0.00	13,273,320	0	0.00
99	94,123	94,123	100.00	94,123	94,123	100.00
100	13,800,761	2,931,077	21.24	13,800,761	2,931,077	21.24
101	944,606	697,543	73.84	944,606	697,543	73.84
102	1,458,659	0	0.00	1,458,659	0	0.00

Report	OIG's estimated (\$)	VA's sustained (\$)	Sustained (%)	OIG's adjusted estimated (\$)	VA's adjusted sustained (\$)	Adjusted sustained (%)
FY 2020						
103	0	0	N/A	0	0	N/A
FY 2020 total	105,033,965	30,110,703	28.67	101,672,854	30,110,703	29.62
Total	655,952,279	242,400,445	36.95	536,433,747	242,400,445	45.19

Source: VA OIG reports and VA NAC contract files for FYs 2018–2020.

Note: The FY2018 reports were issued between October 26, 2017, and September 26, 2018; the corresponding awards were made between April 1, 2018, and June 1, 2021. The FY2019 reports were issued between October 2, 2018, and September 10, 2019; the corresponding awards were made between March 15, 2019, and March 15, 2021. The FY2020 reports were issued between October 15, 2019, and September 22, 2020; the corresponding awards were made between March 1, 2020, and August 1, 2021.

Note: All values (for example, VA OIG's estimated cost savings, VA's sustained cost savings) are rounded to the nearest whole dollar.

* No award.

† Offer withdrawn.

Tracking Customers

The GSA price reductions clause mandates reductions to FSS contract prices based on tracking customer price reductions. Changes in the vendor's pricing arrangements with the identified tracking customer (with the exceptions noted in footnote 22) initiate a price reduction. This arrangement helps ensure the government is receiving fair and reasonable pricing during the entire contract period. Selecting a tracking customer for price reductions clause purposes involves a variety of factors, which can be weighted and analyzed differently. The OIG recommends tracking customers that provide contract item coverage and which, in the OIG's opinion, should provide long-term price protection for the government. However, a contracting officer may decide different tracking customers provide adequate price reduction.

The awarded tracking customers for the 103 proposals the OIG reviewed are shown in table B.4. For the 67 proposals awarded as contracts or contract modifications with tracking customer recommendations, the recommendations were fully or partially implemented by the NAC at award for 60 proposals (90 percent).

Table B.4. Implementation Status of Tracking Customer Findings for FYs 2018–2020

Schedule number	Schedule title	Proposal category	Full	Partial	Not	N/A*	No award	Offer with-drawn	Total
FY 2018									
65 II A	Medical Equipment & Supplies	Addition	3	0	0	4	1	0	8
65 II A	Medical Equipment & Supplies	Extension	5	4	1	1	0	1	12
65 II A	Medical Equipment & Supplies	New Contract	8	4	1	3	1	1	18
<i>65 II A Total</i>			16	8	2	8	2	2	38
65 II C	Dental Equipment & Supplies	New Contract	1	0	0	0	0	0	1
<i>65 II C Total</i>			1	0	0	0	0	0	1
65 II F	Patient Mobility Devices	New Contract	0	0	1	1	0	0	2
<i>65 II F Total</i>			0	0	1	1	0	0	2
65 VII	Invitro diagnostics, Reagents, Test Kits & Test Sets	Extension	0	3	0	0	1	0	4
65 VII	Invitro Diagnostics, Reagents, Test Kits & Test Sets	New Contract	1	0	0	0	0	0	1
<i>65 VII Total</i>			1	3	0	0	1	0	5
66 III	Cost-Per-Test, Clinical Laboratory Analyzer	New Contract	1	0	0	0	0	1	2
<i>66 III Total</i>			1	0	0	0	0	1	2
<i>FY 2018 Total</i>			19	11	3	9	3	3	48

Summary of Preaward Reviews of VA FSS Nonpharmaceutical Proposals, FYs 2018–2020

Schedule number	Schedule title	Proposal category	Full	Partial	Not	N/A*	No award	Offer with-drawn	Total
FY 2019									
65 II A	Medical Equipment & Supplies	Addition	1	0	0	1	0	0	2
65 II A	Medical Equipment & Supplies	Extension	3	0	0	1	0	1	5
65 II A	Medical Equipment & Supplies	New Contract	1	4	0	1	0	2	8
<i>65 II A Total</i>			5	4	0	3	0	3	15
65 II F	Patient Mobility Devices	Extension	1	0	0	2	0	0	3
65 II F	Patient Mobility Devices	New Contract	1	0	0	0	0	0	1
<i>65 II F Total</i>			2	0	0	2	0	0	4
66 III	Cost-Per-Test, Clinical Laboratory Analyzer	New Contract	1	0	0	0	0	0	1
<i>66 III Total</i>			1	0	0	0	0	0	1
65 V A	X-Ray Equipment & Supplies	Extension	0	0	0	1	0	0	1
<i>65 V A Total</i>			0	0	0	1	0	0	1
<i>FY 2019 Total</i>			8	4	0	6	0	3	21
FY 2020									
621 II	Medical Laboratory Testing & Analysis Services	New Contract	1	0	0	0	0	0	1
<i>621 II Total</i>			1	0	0	0	0	0	1
65 II A	Medical Equipment & Supplies	Addition	0	1	0	5	0	0	6

Schedule number	Schedule title	Proposal category	Full	Partial	Not	N/A*	No award	Offer with-drawn	Total
FY 2020									
65 II A	Medical Equipment & Supplies	Extension	4	0	2	3	0	0	9
65 II A	Medical Equipment & Supplies	New Contract	7	3	2	2	0	0	14
65 II A Total			11	4	4	10	0	0	29
65 II F	Patient Mobility Devices	Extension	1	0	0	0	0	0	1
65 II F	Patient Mobility Devices	New Contract	0	0	0	1	0	0	1
65 II F Total			1	0	0	1	0	0	2
65 VII	Invitro diagnostics, Reagents, Test Kits & Test Sets	New Contract	0	1	0	0	0	0	1
65 VII Total			0	1	0	0	0	0	1
66 III	Cost-Per-Test, Clinical Laboratory Analyzer	New Contract	0	0	0	0	0	1	1
66 III Total			0	0	0	0	0	1	1
FY 2020 Total			13	5	4	11	0	1	34
Total			40	20	7	26	3	7	103

Source: VA OIG reports and VA NAC contract files for FYs 2018–2020.

Note: Full=fully implemented if the NAC sustained all the OIG’s tracking customer recommendations; Partial=partially implemented if the NAC sustained some of the OIG’s tracking customer recommendations (for example, if the OIG recommended a Group Purchasing Organization and All Commercial Customers as the tracking customers but the NAC only sustained All Commercial Customers); and Not=not implemented if the NAC did not sustain any of the OIG’s tracking customer recommendations.

* Not applicable (n/a) if the OIG could not make a tracking customer recommendation (for example, if the vendor—dealer/reseller or otherwise—had no significant commercial sales).

Appendix C: Scope and Methodology

Scope

The OIG team conducted work from October 2017 through September 2020 (FYs 2018–2020). The scope of the review focused on summarizing the information in prior OIG preaward review reports and presenting subsequent contract award data. The team assessed relevant sources of information, including contract documents obtained from the NAC’s electronic contract management system and applicable OIG FSS nonpharmaceutical preaward reports during FYs 2018–2020.

Methodology

The OIG team searched the NAC’s electronic contract management system for the solicitations or modifications with OIG-prepared preaward review reports and obtained the resulting contract or modification, if applicable. The team then summarized the data from the review reports and resulting contracts for presentation in this publication.

Fraud Assessment

An assessment was made to determine the risk of fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements during this review significant to the review objectives. The team exercised due diligence in staying alert to any fraud indicators. No instances of fraud or potential fraud were identified during this review.

Data Reliability

The team did not obtain or rely on computer-processed data. The team also did not perform detailed fieldwork to verify the information listed in the review reports or the contracts because verification was not the focus of the review’s objectives.

Government Standards

The OIG conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Inspection and Evaluation*.

OIG Contact and Staff Acknowledgments

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